	Governance and Audit Committee
	Tuesday 14 June 2022

Subject: Annual Counter Fraud Report 2021/22

Report by:	Director of Corporate Services
Contact Officer:	Emma Foy Director of Corporate Services Emma.Foy@west-lindsey.gov.uk
Purpose / Summary:	To appraise Members with details of identified fraud and counter fraud activity during the year 2021/22 and to provide assurance that policies procedures and mitigations are in place to counter fraud activity

RECOMMENDATION(S):

1. That members endorse the contents of this report and support the ongoing counter fraud work to protect the Authority's interests

IMPLICATIONS

Legal:

(N.B.) Where there are legal implications the report MUST be seen by the MO

Financial : FIN/37/23/TJB

The Council contributes £3,000 per annum to the Lincolnshire Fraud Partnership and £1,290 every 2 years for participating in the National Fraud Initiative.

During the year 5 Council Tax overpayment penalties have totalled £350

Housing benefit overpayments totalled £5,093.86

- HB overpayment in total to date as Claimant Error = £4,542.21.
- One case was LA error but recoverable = £551.65.

We will seek to recover all amounts overpaid.

Staffing :

The Section 151 Officer, and the Management Team have the responsibility for countering fraud, and ensuring staff and members are informed of their obiligations in this regard.

Equality and Diversity including Human Rights : None from this report.

Data Protection Implications : Our cyber security measures provide protection for our data.

Climate Related Risks and Opportunities: None from this report

Section 17 Crime and Disorder Considerations: None from this report

Health Implications: None from this report

Title and Location of any Background Papers used in the preparation of this report :
Wherever possible please provide a hyperlink to the background paper/s If a document is confidential and not for public viewing it should not be listed.

Risk Assessment :

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman) **Yes** ☐   **No** ☐

Key Decision:

A matter which affects two or more wards, or has significant financial implications **Yes** ☐   **No** ☐

1. Executive Summary

1.1 Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

1.2 Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

1.3 It is these principles that underpin the Council's approach to support the management of the risk of fraud and corruption.

1.4 The Council promotes a zero tolerance culture to fraud and corruption

The following Strategy Statement is currently being considered;

"West Lindsey District Council is determined that the culture and tone of the organisation is one of honesty, openness and absolute opposition to fraud and corruption. The Council's expectation on propriety and accountability is that members and staff at all levels will observe the highest standards in ensuring adherence to legal requirements, rules, procedures and practices.' (WLDC - Anti Fraud & Corruption Strategy v2 2022)"

1.5 The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy) See Appendix A

1.6 Counter fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

2. Purpose of this report

2.1 The report provides an overview of counter fraud activity during 2021/22 and any identified fraud.

2.2 It seeks to inform members of counter fraud activity and to provide assurance and demonstrate that the Council continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place to ensure fraud risks are managed effectively.

2.3 Whilst the Council, through its policies, procedures and internal controls makes efforts to protect itself, fraud is considered a growing concern, therefore vigilance is required at all times.

3. Background

3.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss).

The areas particularly considered in the context of risks from financial crime are in relation to fraud, corruption, theft, bribery, and money laundering.

Fraud – 'the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain'. Through false representation, failing to disclose information or abuse of power

Corruption – 'the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately'.

Theft – 'appropriating property belonging to another with the intention of permanently depriving the other of it'.
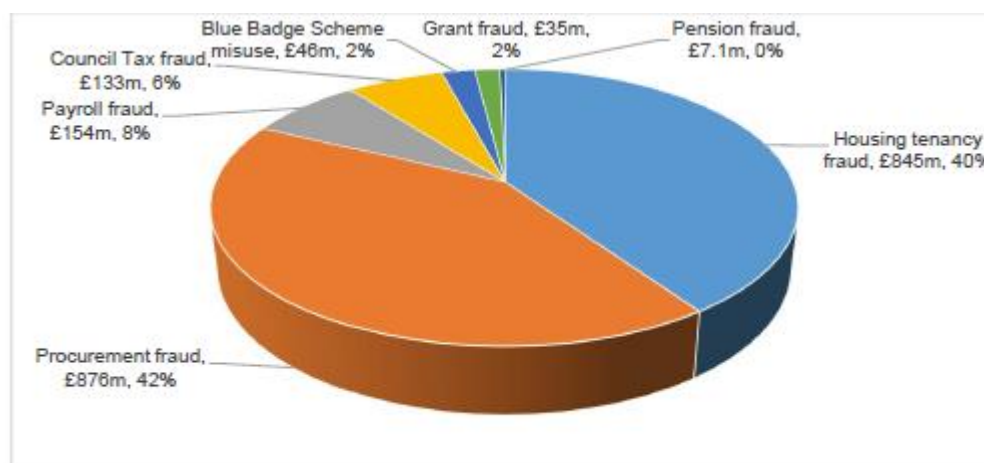
Bribery – 'is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage'.

Money laundering – 'an activity which falls within the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015 and new regulations 2017) whereby criminally obtained money or other assets are exchanged for clean money or assets with no link to their origins'.

Whistleblowing – 'when a person reports suspected wrongdoing at work. Officially this is called 'making a disclosure in the public interest.

3.2 The cost of fraud to local government is estimated at £2.1b (money which could be used for local services).

The illustration below breaks down these estimated losses;

4. **Counter Fraud Activity 2021/22**

4.1   There have been no instances of fraud identified during the year in relation to Council activities.

4.2   However, activity in relation to Revenue and Benefits fraud is detailed below;

- **5** – Council Tax Reduction sanctions (£70 as per a penalty charge). **Total = £350.**

- **17** – Single Fraud Investigation referrals were referred to DWP Fraud and Error Service for Criminal / Compliance investigations. **17** – Not yet looked at by the DWP to date due to ongoing Covid-19 restrictions (The cases referred were for **3 x Housing Benefit and 12 x Universal Credit claims with the two other cases for Pension Credit and Carer's Allowance claims**).

- **143** – Housing Benefit Matching Service referrals in total were received. **14** were positive outcome.

  **HB overpayment in total to date as Claimant Error = £4,542.21.
  + One case was LA error but recoverable = £551.65.**

  TOTAL HB Overpayment = £5,093.86

- National Fraud Initiative (NFI) – For Housing Benefit cases, **26** referrals were received and they were categorised in (12) High Risk, (0) Medium Risk, (11) Low Risk and (3) NIL Risk – all dealt with no result.

  For Council Tax Reduction cases, **276** referrals were received and again they were categorised in (26) High Risk and (250) Medium Risk. The High Risk cases had been dealt with no result. The Medium Risk cases are still currently being dealt with.

4.3   Data matching - National Fraud Initiative (NFI)

The Council subscribes to the National Fraud Initiative which matches data held in public and private sector bodies to prevent and detect fraud. This is a bi-annual exercise with a variety of services included in each exercise as prescribed by NFI.

The 2020/21 exercise and subsequent investigations are an ongoing process and the Committee will be subsequently updated when the findings are released by the Cabinet Office.

4.4   Fraud Partnership

The Council is a member of the Lincolnshire Fraud Partnership and as such meet on a regular basis. We work together to create a Fraud

Plan and to share knowledge and expertise and to identify new fraud risks.

During the year we had a number of notifications from the Lincolnshire Fraud partnership informing us of attempted frauds experienced in other partner authorities, these included, attempts to change a creditors bank details, telephone scams where caller purporting to be from HMRC or Police with the objective to get the victim to pay money. False creditor invoices with incorrect bank details. Emails requesting transfer of funds etc.

There has been a significant increase in notifications of attempted fraud in relation to the grants being issued by local authorities to support businesses through Covid-19.

The finance team and relevant other officers are notified upon receipt however are vigilant in their roles.

The Partnership supported the Fraud Awareness Week 13-19 November 2021.

4.5   A number of Internal Audits were undertaken during the year which are relevant to countering fraud;

- Creditors – Substantial Assurance
- Debtors – In Progress

5. Countering Cyber Crime

5.1 West Lindsey District Council is enabling change to reduce the workload on colleagues and increase our counter fraud capability. We are making improvements, including the procedure, the process, the people, this is iterative because we are a learning organisation becoming better each day and that's a great opportunity to protect our assets and the communities we serve.

5.2 Cyber security governance across the council is viewed as good and sufficient at present to manage the cyber risks facing the council, while at the same time we are taking the opportunity to secure funding that will reduce our future costs and increase our positioning:

- The ICT team have completed a PSN Compliance Review that received accreditation (PSN is the connection to central government from Cabinet Office).
- The ICT team have completed a PCI-DSS Compliance Review that received accreditation (PCI-DSS)
- The ICT team also had the benefit of being included in the Network Security Audit, that received Substantial Assurance.
- The ICT team also had the benefit of being included in the Cloud Hosted Services Audit, that received Substantial Assurance.

- The ICT team also had the benefit of being included in the Disaster Recovery and Business Continuity Audit, that received Substantial Assurance.

5.3 **Sector Improvements (reducing our costs and improving our capabilities)**

Local Government Association
Leading the Cyber 360 Peer Review for Local Government Association for Dorset Council

Local Government Digital Committee
The Local Government Digital Committee was set up to represent local public services in the development and implementation of local and national digital outcomes where central and local government come together.

Cyber Tactical Advisory Group Deputy Chair
Developing and coordinating cyber advice and guidance for Local Government at a National level with LGA, Central Government; MHLG, GDS, GSG, NCSC and all devolved administrations.

Cybershare East (WARP) Chair
The group brings together Information Security, Assurance and Governance practitioners on a regional, subregional or partnership basis. We exchange views, listen to guest speakers, undertake training or exercises.

Local CIO Council SOCITM
The Local CIO Council was set up to represent local public services in the development and implementation of national IT strategy, policy, and programmes. It provides challenge, capacity, and leadership in support of the National Government CIO Council.

a. The ICT Team has received further positive feedback from Secretary of State for Levelling Up, Housing and Communities (The Rt Hon Michael Gove MP) who funded us to work with HM Revenue and Customs previously and have offered to fund further cyber security work to enhance our position and ultimately arrangements nationally.

b. We are the first Local Authority's to use the powers available within the Digital Economy Act having identified over £29 million pounds worth of transactions and will be able to help other local authorities implement the same anti-fraud solutions, and more.

c. The Council has progressed with the work to help define the future requirements for the Nightsafe sector program. The programme will define best practise for the Local Government sector, creating the process, procedure and evaluation of alternative approaches and solutions to backups, that would be implemented nationally. This

programme is in partnership with the National Cyber Security Centre (NCSC) and is funded by the Local Government Association.

5.4 **Technical Improvements**

We have data loss prevention solutions, backup solutions, offline backup solutions, plans, policy, procedures (that are tested), Intrusion Detection Systems (IDS and Intrusion Prevention Systems (IPS). We have infrastructure support contracts, cyber support contracts in place that will help us if needed.

The IT Team have multiple copies of our data in multiple places that are secured along with an approved business continuity plan that is refreshed and tested robustly. As part of this we have an ICT Management Plan that includes our standard responses to a cyber-attack including responses for:

- Denial of Service Attack
- Malware Attack
- Phishing Attack
- Ransomware Attack
- Phishing Attack

We have undertaken two full off site recovery exercises with further tests scheduled (multiple Councils and services, with external governance from Cabinet Office Cyber Expert) and have undertaken a full recovery test twice in three years off site, using different officers (to share the knowledge and experience). This knowledge is currently being used to recover every system as part of a current technology process change.

No business is 100% secure from every attack, however we have a robust level of understanding in the business that is actively being supported by colleagues in IT. We have process and procedures that are tested, and the business is engaged in that process. We have active cyber defense and technology controls.

5.5 **Team Improvements**

The IT Team have the capability and certification to undertake organisational cyber assessments (Cyber Essentials +) and hold the following cyber accreditation's:

Certified Information Systems Security Professional (CISSP)
Certified Cloud Security Professional (CCSP)
Certified Information Security Manager (CISM)
Cisco Certified Network Engineer (CCNE)
Certified Ethical Hacker (CEH)
Microsoft Cloud Security
BSc (Honours) Computing and IT

Masters in Digital Transformation
Elasticsearch Certification

5.6 **Planned improvements**

The IT Team have taken opportunities to deliver for the Council and all its colleagues, that will further improve the working experience and increase the cyber security posture, these include an enhanced logon procedure and improved security.

Some actions we have taken:

- Rejected 936,000 emails because we have defined and implemented the next generation of email security
- Scan all other Councils weekly
- Scan all east of England schools
- Scan all our parish councils so we can understand the security posture they are adopting

The shared services for North Kesteven and West Lindsey District Councils has been praised for its proactive response to tackling the cyber threat to councils as a result of the covid19 pandemic, by developing a cyber response playbook.

"It is vital for the citizens that we serve that we ensure our services and systems are secure so that this essential work can continue uninterrupted. The local digital declaration encourages collaboration and reuse. My officials are commencing a new phase of work on supporting cyber security in local government and I will ask them to contact you to explore any opportunities to reuse or scale your work." **Luke Hall MP**

6. **Counter Fraud Policies**

The Council has the following policies in place as part of its Counter Fraud arrangements:

- Prevention of Financial Crime Policy;
- Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy.
- Financial Crime Response Plan

The Corporate Policy & Resources Committee are responsible for approving any changes to these policies.

7. **Proactive Work Programme 2022/23**

Risk Area	Planned For	Current Status	Responsible Officer
Various fraud areas	2022/23	NFI bi-annual exercise	Financial Services Manager

Fraud Awareness Training - Members	Ongoing	Delivered as part of Member inductions	AD People and Democratic Services
Fraud Awareness Training - Staff	Ongoing	Now part of onboarding and induction.	Financial Services Manager/ Asst. Director People and Democratic Services
Mandatory Training – Cyber Crime Fraud Awareness Anti Money Laundering	Nov 2022	E-learning available on training platform Now part of on boarding requirements. Annual completion	ICT Manager/ Financial Services Manager
Bi-Annual Policies Review	March 2023	Review reported to Governance and Audit June 2024	Financial Services Manager
Joint procurement of Single Persons Discount Review 2022	October 2022	Timeline currently being discussed due to pressure on Revenue Teams with the Council Tax Energy Rebate response priorities	Financial Services Manager
New Counter Fraud Leaflet	Nov 2022	Lincolnshire Fraud Partnership initiative for International Fraud Awareness Week 13-19 November 2022	Lincolnshire Fraud Partnership